

# localinsights

spring 2015

An economic and labor market analysis of the Uintah Basin



**Strong job growth**  
in the basin continues  
*but faces slowing  
headwinds.*

## January Unemployment Insurance Claims Show Effects of Oil Prices

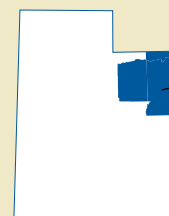
By Tyson Smith, Economist

Broad-based economic growth does not always portend positive economic conditions in every community. Utah has seen significant labor market expansion over the last four years, growing at an annual rate of about 3 percent since 2011. The positive momentum in the macro-economy is projected to continue in 2015. However, growth in the Uintah Basin region is not dependent on the same variables as the states as a whole.

In the Uintah Basin, gas and oil extraction literally fuels the economy. Over the last decade, advances in extraction technology have invigorated the oil and gas industry in the region. Aside from the recession the region has seen impressive payroll employment growth rates over that last decade that occasionally exceeded 10 percent per year.

The most current quarterly employment data for third quarter 2014 showed continued strength in the regional labor market, but the recent shock to crude oil prices compromises regional economic growth. Falling oil prices put pressure on the profitability of domestic producers. Shrinking margins for Uintah Basin extraction companies present considerable headwinds for the local economy.

uintahbasin



Duchesne  
Daggett  
Uintah

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## Duchesne County

- Duchesne County's payroll job growth in third quarter 2014 accelerated to an annual rate of 4.4 percent, the seventh fastest year-over job growth in the state and 1.6 percentage points faster than the Utah average. In total, the county added a quarterly average of 409 jobs from the same period last year. Mining firms—including oil and gas activities—had notable gains of approximately 13.8 percent.
- The county's seasonally adjusted unemployment rate ticked down one-tenth of one percent to 2.7 percent in December, well below the state average. Such low levels of unemployment are not unheard of in Duchesne County, but early returns from initial claims suggest that unemployment rates will be on the rise in 2015.
- Initial unemployment insurance claims took a significant jump in January 2015. The five-week average of initial claims early this year was approximately 52 claims per week, compared to 16 claims per week during the same period in 2014. The 229 percent spike coincides with a dramatic reduction in crude oil prices at the end of 2014 and the beginning of 2015. The oil and gas extraction industry appears to be contracting employment as a result of low prices reducing profitability.
- As the third quarter labor market picked up steam in

Duchesne County, so too did average wages. Year-over average monthly wages grew 9.6 percent, exactly 8 percentage points faster than the Utah rate. The gains in wages during third quarter pushed the average wages in the county (\$4,224) even further above the state average (\$3,429). Wages may skew higher early in 2015 as less tenured and less senior employees get laid off.

- Taxable sales in Duchesne increased by 8 percent from the third quarters of 2013 to 2014, settling at \$241.4 million. Taxable sales in manufacturing increased by just over \$11.4 million (70 percent) from third quarter 2013, the largest annual increase in the county. But, these gains were offset by year-over sales declines in mining and wholesale durable goods trade totaling \$11.4 million as well.

## Uintah County

- Third quarter payroll employment in Uintah County grew 4.1 percent year-over. The county's ninth ranked growth was driven by the goods-producing industries, which increased 7.9 percent from 2013. Construction employment jumped 30.3 percent from the previous year, adding a quarterly average of 268 jobs.
- Like Duchesne County, Uintah County boasted one of the lowest seasonally adjusted unemployment rates in the state at 2.7 percent in September. The number of

## current events

### CUP WATER PURCHASE WILL DOUBLE CULINARY SUPPLY

The Uintah Water Conservancy District gained control of 3,000 acre-feet of water per year previously controlled by the Bureau of Reclamation through the Central Utah Project. With the acquisition, the Uintah District more than doubled its municipal and industrial supply to a total volume of 5,000 acre-feet of water from Steinaker and Red Fleet Reservoirs.  
— *Vernal Express*

### SKYWEST CHANGES VERNAL FLIGHT OFFERINGS

A proposed zone change in Roosevelt City has been put on hold pending property tax information from Duchesne County. The zone change in question was initially proposed last October, and would result rezone the south half of 300 North from R 1-6 residential lots to commercial lots. The zone change will affect a large swath of the city, stretching from Union Street to the Cottonwood Wash, located at approximately 100 East. If the zone change is approved by the city, it would allow commercial development behind the frontage lots located along Highway 40.  
— *Uintah Basin Standard*



**For more current events:**  
<http://utaheconomyuintahbasin.blogspot.com>



## NE UTAH GAS-FIRED POWER PLANT PLANNED

The Ute Indian tribe says it plans to build a 1,000MW natural gas-fired generation facility on the Uintah and Ouray Reservation in northeast Utah. The tribe is currently examining its energy infrastructure on the reservation to develop a comprehensive plan of action. It says the generation facility would use the tribe's large reserves of natural gas and create opportunities to introduce more sources of clean energy into the grid.  
— *Today's Energy Solutions*

## NEWFIELD EXPLORATION CO. CUTS 80 JOBS

Utah's largest oil producer, Newfield Exploration Co., laid off 80 of its 540 employees in the state on Wednesday, citing the economic challenges brought on by the continued drop in oil prices.  
— *KSL.com*

## UINTAH COUNTY REVIEWS CONFERENCE CENTER FINANCES

A portion of sales tax money along with mineral lease funds should help pay for most of the cost to manage and operate the Uintah County Conference Center, according to Uintah County Commissioners. The Conference Center will be operated by Western States Lodging and Management with headquarters in Taylorsville. The County will pay Western States Lodging 5 percent of gross sales from the Conference Center for their expertise in marketing and hosting all the events.  
— *Vernal Express*

unemployed workers in the county has fallen by 105 people over the last 12 months to 499.

- Also similar to Duchesne County, Uintah County saw a spike in initial unemployment claims at the beginning of 2015. The county's economy relies heavily on an active oil and gas extraction industry. Falling oil prices have spurred caution among extraction companies, leading to a 174.2 percent increase in the county's average weekly unemployment claims.
- Average monthly wages in the third quarter increased 1.5 percent from 2013. Uintah County's wage growth was slightly below the Utah average during third quarter 2014, but the average monthly wages paid in the county were \$536 more than the Utah average of \$3,429 per month. The majority of that difference can be linked to high paying jobs for oil and gas workers.
- Uintah County's year-over changes in taxable sales decreased 4.4 percent, the seventh decline in the past eight quarters. Third quarter 2014 taxable sales in the county were just over \$379 million, compared to \$396 million in third quarter 2013. Wholesale trade of durable goods—the second largest industry by sales totals—lost \$6.4 million.

## Daggett County

- Daggett County continues to be the exception in the region in terms of payroll employment growth. Since

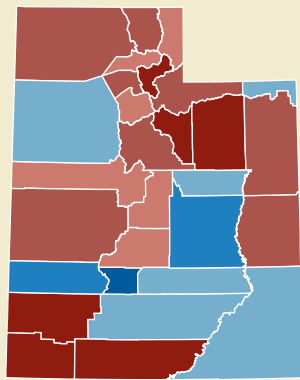
2011, total employment has contracted with only the occasional month of growth. Last quarter employment shrank by 4.9 percent, and while the job losses slowed to 0.2 percent in the third quarter, the trend continued downward. Leisure and hospitality as well as construction employment accounted for the vast majority of job losses last quarter.

- Despite the stagnant job growth in the county, the unemployment rate in December fell back to a post-recession low of 4 percent. At that level the county's unemployment rate ranks 19th among Utah's 29 counties. Daggett County's unemployment rate has been slightly higher than the state average since early 2013.
- The minuscule initial unemployment claims in Daggett County reflect the small labor force. It is difficult to glean any definitive trends from the initial claims data, because the numbers are so small. With that said, there has been a small jump in the average number of weekly claims in the first several weeks of 2015.
- The increase in the supply of labor, combined with job losses in some relatively high paying industries, led to a 5.2 percent decrease in average monthly wages in third quarter 2014. Wage growth will likely continue to reflect job growth.

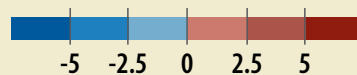


# Uintah Basin Economy

..... at a glance



## Year-to-Year Change in Nonfarm Jobs Sept. 2014



2.0%  
United States

3.0%  
State of Utah

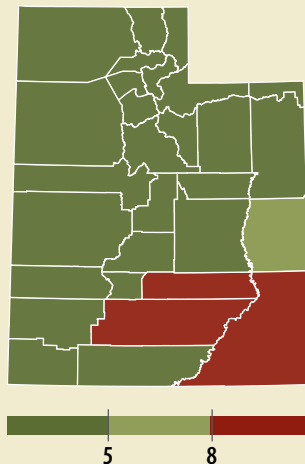
-2.6%  
Daggett County

5.4%  
Duchesne County

3.1%  
Uintah County

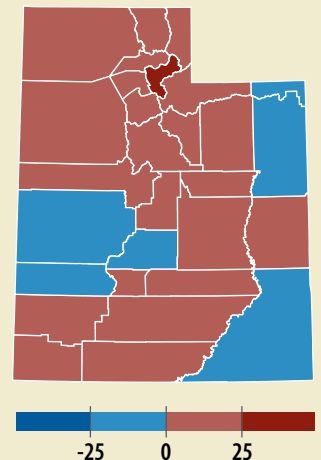
## Seasonally Adjusted Unemployment Rate Dec. 2014

United States 5.6%  
State of Utah 3.5%  
Daggett 4.0%  
Duchesne 2.7%  
Uintah 2.7%



## Year-to-Year Change in Gross Taxable Sales 3rd QTR 2014

State of Utah \$ 5.9%  
Daggett \$ -10.5%  
Duchesne \$ 8.0%  
Uintah \$ -4.4%



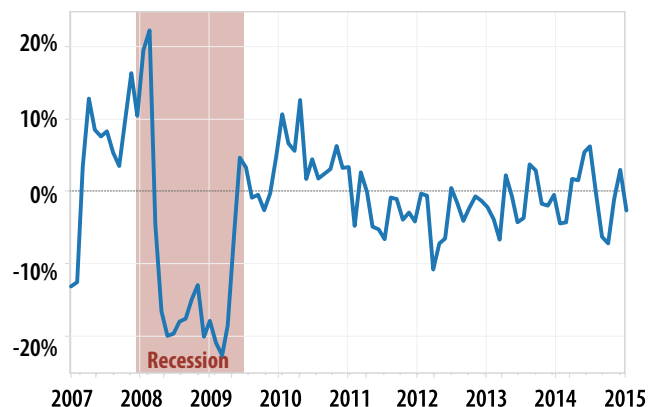
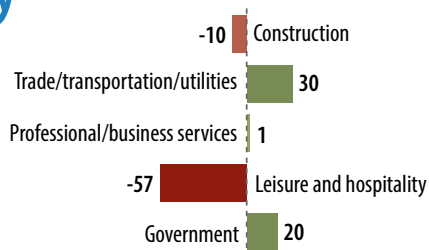


## Daggett County

### Job Growth

Sept. 2014

↓  
-12

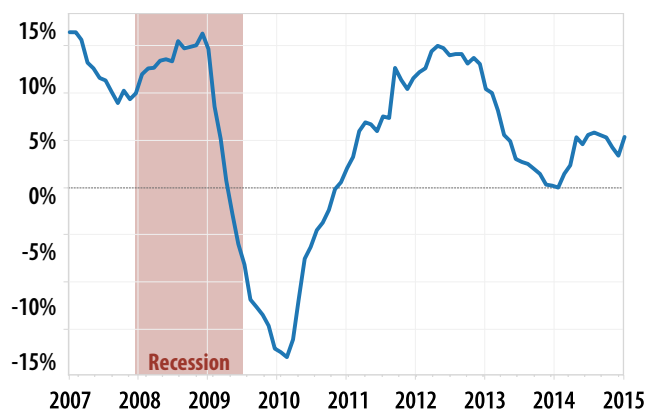
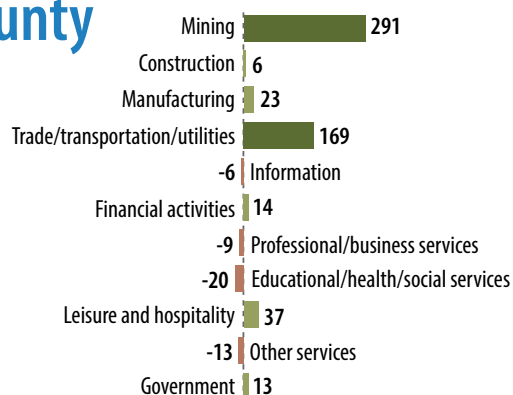


## Duchesne County

### Job Growth

Sept. 2014

↑  
505

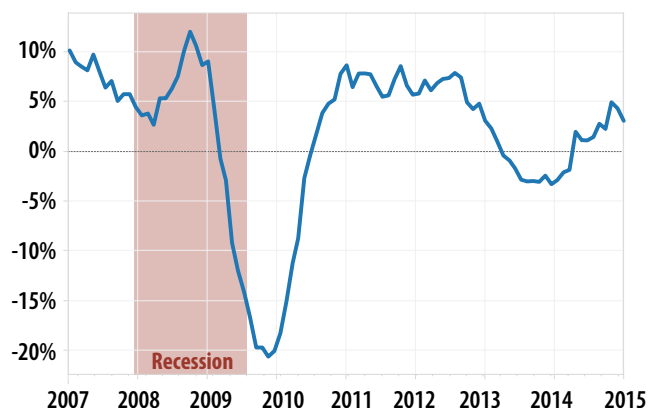
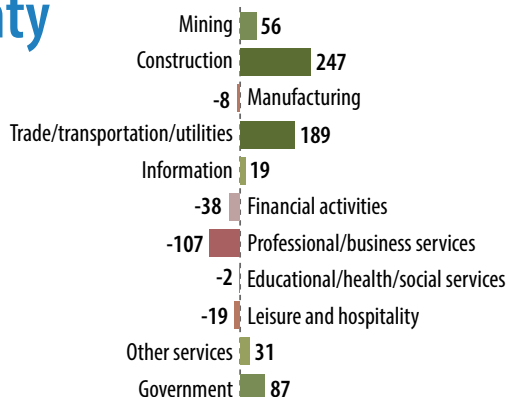


## Uintah County

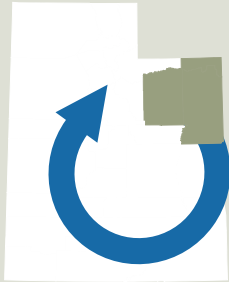
### Job Growth

Sept. 2014

↑  
455







# The Changing Face of the Uintah Basin

By Tyson Smith, Economist

The process of detailing the United States population is a tradition as old as the union itself. Article I, section II of the Constitution stipulates that “Representatives and direct taxes shall be apportioned among the several states which may be included within this union, according to their respective numbers...” In order to fulfill its constitutional duty, the federal government has collected domestic population data every 10 years since 1790 through the decennial census.

This issue of Local Insights will examine the changing characteristics of the counties in the Uintah Basin region using data from the 1990 census, the 2000 census and the recently released five-year estimates from the 2009–2013 American Community Survey (ACS).

## Uintah County

The population of Uintah County grew 13.6 percent between 1990 and 2000, a relatively slow rate compared to the state population, which jumped 29.6 percent during that period. Estimates from 2009 to 2013 suggest that the county’s population growth rate picked up dramatically over the subsequent decade increasing 33.7 percent (7.7 percentage points faster than the state average) to a total of 33,722 residents. The county’s population boom corresponded with a substantial increase in oil and gas production in the region.

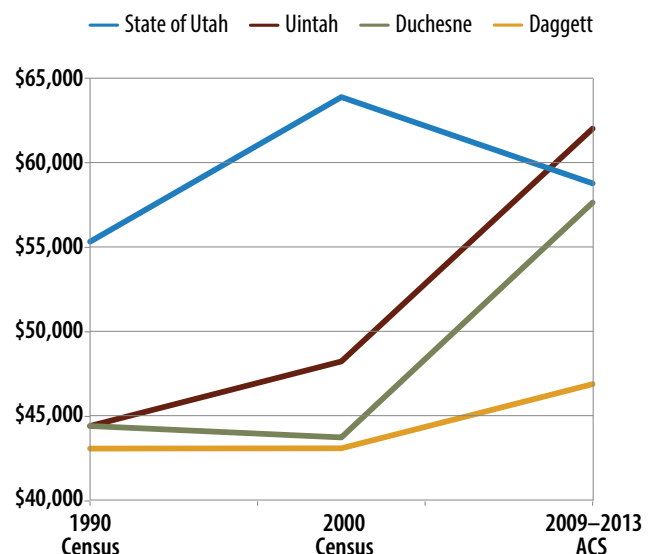
Population growth and economic activity translated into substantive increases in the labor force of the county. Since 1990 the civilian labor force has grown approximately 82.9 percent, almost 6 percentage points faster than the state average. Furthermore, the labor force participation rate (estimated 65.1 percent) has increased 4 percentage points over the last 20 years to a rate only slightly less than the Utah average of 68.1 percent.

The percent of Uintah County residents 25 years and older that are graduates from high school has increased

significantly since 1990. At that time, only 73.7 percent of county residents had a high school diploma. The most recent ACS estimates show that that number has risen to 86.2 percent.

Higher levels of educational attainment generally correlate with higher levels of income. In Uintah County, inflation adjusted median household incomes have surged over the last 20 years increasing 39.7 percent from 1990 to the most recent ACS estimates. While some of the gains in income are likely a result of better educational outcomes, the majority of the growth can be directly linked to the expansion of the oil and gas industry in the county.

**Figure 1: Median Household Income (2013 Dollars)**





## Duchesne County

Changes in Duchesne County's population over the last 20 years are similar to those in Uintah County since the economies of both counties have been driven by oil and gas production. The county increased its population by approximately 51.1 percent from 1990 to the current ACS estimates with the majority of that growth occurring after 2000.

The civilian labor force in the county jumped from 4,861 in 1990 to 8,009 in the recent estimates. Despite the growing labor force, Duchesne County's labor force participation rate has been stagnant since 2000 holding steady at approximately 60 percent—8 percentage points lower than the state average.

Duchesne County boasts similar rates of educational attainment as Uintah County. The 2009 to 2013 estimates report that 86.4 percent of the county's residents graduated from high school and 16 percent of the residents hold a bachelor's degree or higher. The rates of high school and college educational attainment increased approximately 11.6 and 4.2 percentage points, respectively, from 1990 to recent estimates.

Oil and gas extraction growth in the county is mainly responsible for the rise in real household income. From 2000 to the most recent ACS estimates median household income in Duchesne increased 31.8 percent to \$57,683 per year, while Utah median household income fell about 8 percent over the same period.

## Daggett County

Daggett County's population growth of 36.3 percent since 1990 trails the Utah average by nearly 30 percentage points. Moreover, the population shrank nearly 10 percent

from the 2000 census to the 2009 to 2013 ACS estimate. Daggett is the least populous county in the region with a recent estimate of 830 residents, which amplifies the errors in the ACS estimates, making them somewhat unreliable.

While the county's population contracted slightly over the last decade, the civilian labor force dropped 34.9 percent. The most recent ACS data estimate that the labor force participation rate (39.4 percent) has fallen 25.5 percentage points since 1990.

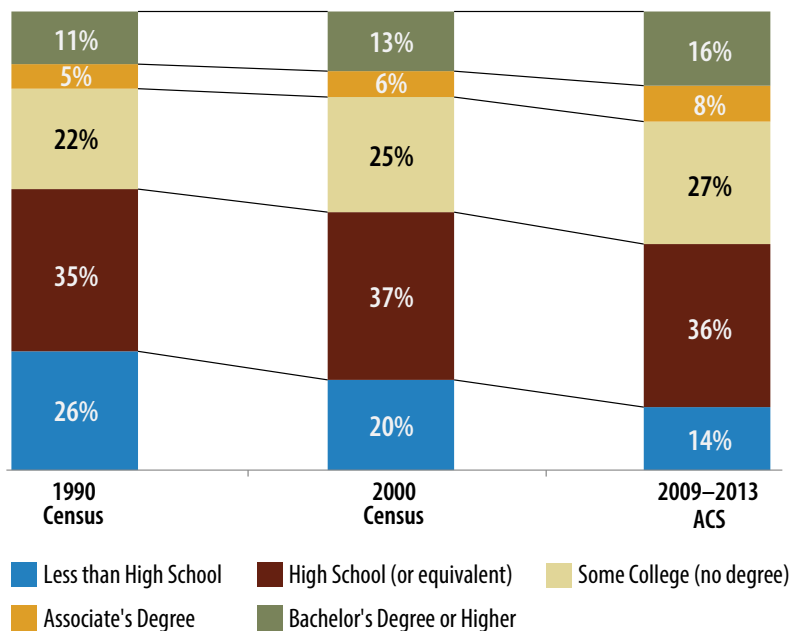
The percent of high school graduates in Daggett County increased more than 6 percentage points from 1990 to 2000, and the current ACS estimates suggest that the higher

educational attainment trend continued in the new millennium.

Median household income remained unchanged from 1990 to 2000 at a rate of about \$43,100 in 2013 dollars. The most recent ACS estimates suggest that household income has increased approximately \$3,800 since 2000, but that change is within the margin of error.

Census data and ACS estimates provide the most complete picture of the population in a given period. This article illustrates the value of the census time series, and the importance of being able to take stock of the characteristics of our state.

**Figure 2: Uintah Basin Educational Attainment (Population 25 Years and Older)**



Source: U. S. Census Bureau





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# Looking to the American Community Survey

By Mark Knold, Supervising Economist

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*"Sampling, statisticians have told us, is a much more effective way of getting a good census."*

— Rob Lowe

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The Rob Lowe quote is designed to be humorous. Is the best way to get answers about an entire population to not question the entire population but instead only part of it?

When we hear "census," we often think of the once-every-ten-year questioning as mandated by the Constitution. In that context though, we often think of "census" as an event instead of what it is—an enumeration.

A census targets an entire population. In contrast, if that is impractical or impossible, then a smaller portion (a survey) of the population needs serve as a viable substitute. Rob Lowe's humor stems from the idea that when we do the national decennial Census, much of the data comes from a survey. To him, that is an oxymoron.

The U.S. Constitution mandates the decennial Census for the purpose of allocating Congressional representation. That is fulfilled in our modern U.S. Census via the "short form," the portion that everyone gets and answers and thus makes it a census. That information is largely just a head count of people. Yet the Census event offers a great way to gather additional characteristic information about the U.S. population. That information formerly came from the now-deceased "long form"—a survey within the Census.

The long-form decennial survey has now been transformed into an ongoing exposé called the American Community Survey (ACS). From this rendering we get a wealth of U.S. population characteristics like educational achievement, income levels, poverty status and much more.

This issue of *Local Insights* is looking at Utah's recent ACS data and comparing some demographic variables of today to those same variables in the past. Have things changed in Utah's local economies over time? The frequency of the ACS makes these evaluations available in a more timely fashion.